

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – APRIL 21, 2004**

**PRESENT:** Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Randall Avery, Deputy Chief of Enforcement; Thomas Chagnon, Assistant Director of Information Technology; George Tsiopras, Chief Financial Officer. Guests: Kyle Metcalf, Lieutenant, Enforcement Bureau; Timothy Mone, Investigator, Enforcement Bureau; Al Picconi, United Beverages, Inc.

**EXCUSED:** Chairman Anthony Maiola; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending April 18, 2004 shows retail sales were down almost -1.9%, on-premise sales were down by -.43%, off-premise sales decreased by a little over -9.4%, and total aggregate sales decreased by -2.97%. The traffic count, however, increased by 2,635, as did the average sales ticket by \$3.80.

The W-1 Total Weekly Sales report for the same week confirms total sales were down for the weekly comparison by -2.97% or (\$176,570), but were up for the year by 7.9% or \$21,941,701. Wine sales were down -10.28% or (\$295,305) for the week, but increased by 8% or \$10,351,519 for the year. Sales of spirits were up 3.85% or \$118,734 for the week, and were also up year-to-date by almost 7.8% or \$11,590,382.

##### **B. Budget/Administrative Reports:**

There was nothing of significance to report this week regarding depletions and post-offs or gift card sales.

There will be a meeting of the House Ways & Means Committee on May 11<sup>th</sup> at 10:20 a.m. Craig asked for guidance from the Commission regarding attendance.

A waiver request for one Enforcement vehicle was sent to Joe Bouchard in Administrative Services on April 16<sup>th</sup>. The word is that this request will not

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move unless someone takes it to the Governor's Office. The Commission has no items on either the Governor and Council or Fiscal Committee agendas for today.

The ACR contract amendment has been forwarded to Rick Bailey at OIT for approval. Once Craig has all the accompanying documents to the contract amendment, he will forward it to the Attorney General for legal review.

Paperwork has been received to fill out relative to coverage of employee thefts by Risk Management. The Bureau of Enforcement will be requested to assist with this. Some time ago Craig brought before the Commission a revised records criminal and credit records check for employees. Craig asked if the Commission felt employees should be required to do this at their own expense, at a cost of \$10.00 for the criminal check and \$9.00 for the credit check. The biggest impact of these requirements would fall on the Marketing Department, specifically store personnel. Commissioner Russell felt potential employees would be willing to do this if their records were clean. Commissioner Byrne said he was not prepared to vote on the issue right now.

The life safety project will be going over to Governor and Council for their second meeting in May. This is a \$128,000 capital budget item.

The Commission granted permission for Craig to submit the projected FY06-07 budget to Administrative Services.

The W-6 Expense Budget Activity Report for the week ending April 13, 2004 shows the year to be at about 78.9% expired, with total expenditures at around 76.61% of the budget. One area of concern is utilities, which will hopefully approve with the coming of warmer weather. Fiscal Committee has approved the transfer for Class 50 funds, but this will still be an issue at the end of the year. In addition, there are three pay periods this month, so numbers will escalate. Commissioner Byrne remarked that Store Operations must not spend any more money than what they currently have. Another area of concern is benefits. Administrative Services has requested projections assessing where deficits will occur in benefits and salaries. George feels there will not be any problems in the salaries category, but there will be on the benefits side, with a deficit for stores of around \$200,000. The Commission instructed steps be taken to transfer the necessary funds from salaries to benefits.

The LBA auditor is upstairs for the second week of his work at headquarters, which should be done by the end of the week.

The Commission has signed the Enforcement contract relative to underage drinking.

George explained that a licensee's license was pulled recently due to non-payment for product ordered. Commissioner Byrne said any such action(s) should come before the Commission for vote. (This issue will be discussed further in Executive Session.)

GO software, the point-of-sale vendor, is working on a fix for duplicate credit card issues. This should be accomplished by early May, with an exact date to be determined by Paymentech.

2. IT Report

There was a problem with the main server this past Sunday, which was further explained by Tom Chagnon. It has still not been determined exactly what happened. However, after the environment was rebooted, the system returned to normal.

**II. MARKETING & SALES REPORTS**

1. Store Operations: No report presented.

- A. Enforcement Summer Seasonal Security Details (tabled from 4/14/04):
- No further action taken at this meeting.

2. Purchasing Report:

Store inventory was down slightly due to the Easter holiday being later last year. Out-of-stocks are currently in good shape. The majority of wine unavailability is due to vintage changes.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Mojito Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Marti Mojito Rum, 750ML size (assigned four-digit Code #5413), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Jacopo Poli Po di Traminer Grappa):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Connoisseur Wine Company for a new test market listing for Jacopo Poli Po di Traminer Grappa, 750ML size (assigned four-digit Code #5241), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Results (Codes #5322, #2986 & #5041):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty listings to Code #5322, Lini Aquvit, 750ML size and Code #2986, Balvenie Founders RSV Single Malt, 750ML size, as each item exceeded the gross profit required for specialty status consideration at the conclusion of a six-month test market period, and delist Code #5041, Tequila Rose Cream, 1.75L, which failed to earn the gross profit requirements for both full distribution and specialty status consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Swap Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a one time swap removing Bacardi Party Drinks Code #5234, Bahama Mama, Code #5235, Ice Tea and Code #5236, Hurricane, 750ML sizes, to be replaced with Code #5230, Bahama Mama, Code #5231, Hurricane, Code #5244, Ice Tea and Code #5246, Zombie, 1.75L sizes, all of which will begin a new six-month test market period in June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) June Special Offers:

a. 2 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of two (2) spirit items, to

be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 113 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred thirteen (113) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Proposed Wine Sale for July 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all American wines, 750ML sizes only, on sale at a 20% discount off the purchase of twelve (12) or more bottles during the American Wine Sale, commencing Monday, June 28 through Sunday, August 1, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for June 2004:

a. 17 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of seventeen (17) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 121 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred twenty-one (121) wine items, to be featured on sale during June 2004, as

recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Purchase of Hardy's Nottage Hill Shiraz:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special purchase and distribution offer from United Beverages, Inc. on Code #25513, Hardy's Nottage Hill Shiraz, 750ML size, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Fat Bastard Tour Bus:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company/Click Wine Group, to conduct three store events at Stores #73 and #76 Hampton and Store #38 Portsmouth on May 3, 2004, featuring the Fat Bastard Tour Bus, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (Commissioner Russell asked to be noted as objecting to the name of the product.)

5) Close Outs:

a. 3 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of close out price reductions, including a floor stock adjustment on inventory in stores, on three (3) Vicente K 1.75L size wines, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 8 items – David Frost Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out price reductions (2 for \$20.00 mixed or matched) on eight (8) David Frost Winery wine codes, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Wine Delist & Warnings (4 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve issuing warning letters for four (4) wine codes which are failing to earn the gross profit requirement margin as of the twelve month period ending March 28, 2004, as recommended by Kathleen Hass, Director of Purchasing and Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Wine Specialty Products (17 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seventeen (17) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Not Recommended – Wine Specialty (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny the designation of three (3) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Recommended Allocated Wines for Distribution to Selected Stores (19 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of nineteen (19) allocated wine codes to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) “R” Wines for Allocation to Licensees and Retail Distribution (6 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve six (6) “R” wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 11) Primary Source Submissions (8 exclusive agent; 43 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and forty-three (43) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

### **III. ENFORCEMENT & LICENSING REPORT**

Deputy Chief of Enforcement Randall Avery presented an award of recognition to Investigator Timothy Mone for exhibiting good judgment and bravery in the recent apprehension of a subject during a domestic violence situation.

### **IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 15 through April 21, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

- a. New Hampshire State Liquor Commission Wine Signing:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request by E & J Gallo Winery to conduct a wine signing event at Store #76 Hampton on Wednesday, May 19, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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John W. Byrne, Commissioner

/D. Hartford

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Patricia T. Russell, Commissioner



